

attributed to other parties. Even though claims might be completely meritless, firms feel coerced to settle rather than assume the open-ended risk.

The legislation we have before us today will go a long way toward curbing abuses in securities litigation. It will provide a filter at the earliest stage of a lawsuit to screen out those that have no factual basis. A complaint should outline the facts supporting the lawsuit and not just a simple assertion that the defendant acted with intent to defraud. If the complaint does not set forth the facts supporting each of the alleged misstatements or omissions, the law suit may be terminated.

In order for the judge to be able to determine whether the case has any merit prior to subjecting the defendants to the time and expense of turning over the company's records, a stay of discovery is included in this bill. A typical tactic of plaintiff lawyers is to request an extensive list of documents and to schedule an ambitious agenda of depositions that take up the time and resources of a company. The discovery costs comprise 80 percent of the expense of defending a securities class action lawsuit. The stay of discovery provision will provide the defendants with the opportunity to have a motion for a dismissal considered prior to entering into the costly discovery process.

Securities laws are intended to help investors by ensuring a flow of accurate information about public companies. However, the present system reduces the amount of information as companies limit their public statements to avoid allegations of fraud. In fact, an American Stock Exchange survey found that 75 percent of corporate CEO's limit the information disclosed to investors out of fear that greater disclosure would lead to an abusive lawsuit. To encourage disclosure of information, the bill will create a statutory safe harbor.

To deter plaintiffs' attorneys from filing meritless securities class actions, judges will have the authority to review the conduct of attorneys and discipline those who file frivolous suits. Suits filed with little or no research into their merits can cost companies thousands of dollars in legal fees and company time. According to a sample of cases provided by the National Association of Securities and Commercial Law Attorneys [NASCAT] 21 percent of the class action cases were filed within 48 hours of a triggering event such as the announcement of a missed earnings projection. Innocent companies pay millions of dollars defending these frivolous cases and are left with large attorney bills even when they win. If a judge finds that an attorney filed a frivolous suit, he can award sanctions as appropriate.

This bill ensures that those primarily responsible for the plaintiff's loss bear the primary burden in making the plaintiff whole. Under current law, codefendants each have liability for 100

percent of the damages irrespective of their role in a fraudulent scheme. In this bill, the courts would determine who has committed knowing securities fraud, and hold them fully responsible for all damages. Any other defendants named in the suit would be held proportionately liable.

As we all know, there are instances when a defendant is insolvent and is unable to pay their share of damages. This bill contains provisions to ensure that investors are compensated in cases where there is an insolvent codefendant. When plaintiffs are unable to collect a portion of their damages from an insolvent codefendant, the proportionately liable codefendants would be required to pay up to 150 percent of their share of damages.

Mr. President, we have heard a lot of talk that this legislation would adversely impact small investors. Nothing could be further from the truth because this bill actually provides special protection for them. All defendants, whether they are jointly and severally liable or proportionately liable, would be held fully responsible for the uncollectible shares of plaintiffs whose damages are more than 10 percent of their net worth, if their net worth is less than \$200,000. Providing special protection for small investors is a critical component of this bill and one I support strongly.

Mr. President, there has been an effort by the critics of this bill to misrepresent the facts. Several opponents have claimed that if the bill had been law during the savings and loan crisis, investors defrauded by Charles Keating would have been left without remedy. However, they fail to tell you that most of the losses from the S&L crisis did not result from securities fraud and this bill would not apply. The primary enforcement mechanism in dealing with the S&L crisis was the bank regulatory system, not the Federal securities law.

Finally, opponents allege that S. 240 would make it impossible for municipalities to recoup losses from securities fraud involving derivatives. However, the Domenici-Dodd bill preserves investors' rights to sue. Just as under current law, defrauded investors who purchased or sold derivatives would still be able to sue defendants who had actual knowledge of the fraud or who acted recklessly.

In concluding, Mr. President, legislative reform is needed to return rationality to the system so that meritorious claims are compensated and meritless claims are neither rewarded nor encouraged. Business desperately needs relief from both the financial and management burdens attending these abusive suits. I encourage my colleagues to support this legislation and I once again want to commend Senator DOMENICI and Senator DODD for their tremendous work on this bill.

Mr. FEINGOLD. Mr. President, I ask unanimous consent to speak as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE BUDGET RESOLUTION AGREEMENT

Mr. FEINGOLD. Mr. President, I would like to say a few words about what has happened with regard to the concurrent budget resolution. The Republican leadership have unveiled their final conference budget proposal. I just have to say that I am appalled at the fiscal irresponsibility that it represents.

I, for one, disagree with some other Democrats in that I am glad the President came in with a budget that had a date certain for balancing the budget. I am glad that the Republicans are working on a date certain to balance the budget. I happen to think both of them wait too long. I think it can be done before the year 2000, if you really put everything on the table.

I recognize that the President himself has proposed a tax cut—certainly, a much more modest tax cut than the various Republican proposals. I happen to disagree with any tax cut at this time if we are going to balance the budget as fast as we can, Mr. President. But this agreement last night really takes the cake. It includes a massive, \$245 billion tax cut—not the \$50 or \$60 billion the President was talking about, or \$90 billion that some said the process would end up with, but really an unbelievably high figure, at a time when this country has a \$5 trillion debt. A \$245 billion tax cut over the next 7 years.

Mr. President, such a tax cut at this time is so fiscally irresponsible as to be downright reckless. To me, Mr. President, this is not just a budget compromise, it is a compromising of the economic health of the American people. It could not come at a worse time. It could not be more irresponsible. This is a deal cut in the back room by members of one party, which sacrifices the whole principle of fiscal discipline for very shallow political ends, Mr. President. I am afraid the Senate budget conferees have totally caved in to political gamesmanship, Presidential politics, and the Contract With America.

I was watching TV this morning. On the Today Show, I saw the Speaker's comment when the reporters asked him what this deal was all about. With a wink, the Speaker said, "You are going to have more take-home pay. You will like it." He knows what he is doing. He is trying to tell the American people they can have their cake and eat it, too. They can have a \$245 billion tax cut and a balanced budget by 2002.

But the American people know better. They know that cannot be done. In fact, I would almost understand it if this deal was based on a political understanding of what the people in America really want. But I cannot find anywhere in the State of Wisconsin, which I represent, people clamoring for a tax cut. I have been watching this

carefully every day since last November. The people of my State, whether Republicans or Democrats, millionaires or working-class people, are not clamoring for tax cuts. They know you cannot have a \$245 billion tax cut and balance the budget by 2002 or 2005, or any time in the foreseeable future.

So I find this hard to understand. It does not seem to fit politics. It certainly does not fit policy, and certainly does not fit in with our economic needs and the goal of eliminating the deficit. I remember a few months ago that the chair of the other body's Budget Committee went to a town meeting in his district, and he got confirmation that the American people in his district want a balanced budget. He said, "You folks want a tax cut, too, do you not?" Guess what, the crowd overwhelmingly told the budget chair in the other body they did not want a tax cut because we need to balance the budget now. Well, the chair of that committee completely ignored the wishes of the people at his town meeting, and he went ahead and joined in this deal to take \$245 billion that could be used for deficit reduction and give it particularly to those who are the wealthiest among us.

Mr. President, the proposed tax cut jeopardizes not only an opportunity to eliminate the Federal deficit and balance our books, it risks our Nation's economy. Mr. Greenspan and the Federal Reserve may be considering lowering interest rates because of the possibility now of some sort of recession. But a fiscally irresponsible tax cut of \$245 billion could put any plans to lower interest rates on hold, and might even lead to an interest rate increase.

To accommodate this unnecessary tax cut and to accommodate an unjustified increase of \$58 billion, to an already bloated defense budget, this document that was cooked up in the last few days adds to defense and forces draconian cuts in the most important programs in the budget. There are stark parallels between the level of the tax cuts, also, and the proposed cuts to Medicare, Mr. President. The tax cut figure from last night is \$245 billion. The Medicare cuts that the Republicans say we have to have is \$270 billion. It is not hard to conclude, Mr. President, a very simple proposition: Medicare cuts are being made to fund tax cuts, especially for upper income people.

I happen to be one who has said on this floor repeatedly that some cuts in Medicare can be made. Certainly, we can make some cuts in administrative aspects, in some formula-driven overpayments, and other areas. But what this tax cut means is that the very harsh Medicare cuts included in the budget agreement have to happen. They could be reduced significantly, cut in half, or almost completely eliminated, if we did not have this \$245 billion tax cut. The same goes for the Medicaid cuts. There has been a lot of talk about Medicare, but what about

the impact on the poor because of these \$180 billion in Medicaid cuts? You could completely wipe out that cut and still have \$65 billion left over if you did not do this irresponsible tax cut.

The Senator from Massachusetts has prepared a list here of what the priorities really are represented by the decision to do tax cuts instead of having an earlier balanced budget while taking care of people. The priorities for the Republican agenda here with this big tax are slashing Medicare, slashing education, reducing college opportunities that are already very thin, and lowering wages for working families.

Mr. President, we do not even have to have most of the Medicare cuts. We do not have to have the Medicaid cuts. We do not have to have the cuts in student loans, if we use a little willpower and resist the temptation to hand out goodies to people in the form of tax cuts they do not want anyway.

Mr. President, this budget imposes devastating cuts to essential programs in order to fund increases to the defense industry. In fact, the way I like to talk about it, there are at least three sacred cows protected by this budget resolution: The first one is the tax cut; a \$245 billion sacred cow that could help solve our problems and should be taken care of and eliminated.

Second, corporate tax loopholes, growing at a rate of 24 percent, second only to entitlements at 27 percent, are not touched. They are completely protected by this budget resolution.

Finally, almost unbelievable to my constituents, the third sacred cow—the Defense Department budget, which not only is not cut, it is actually increased. Everybody in this game at this point says, "Gee, we have to increase the defense budget at a time when we are trying to balance the Federal budget."

More important than Medicaid, education, and college is protecting tax loopholes, protecting tax cuts, and giving up more money to the Defense Department.

Mr. President, possibly an even greater tragedy of this budget agreement is that it missed an opportunity. This compromise missed maybe the opportunity to set forth the plan to balance the budget that would have had bipartisan support in Congress, and more importantly, broad-based support from the American people.

I suppose there is a tiny hope that this budget agreement still could be prevented. I do not hold much hope for it, but there is a chance, nevertheless, if we defeat this irresponsible budget agreement, we could go back to the drawing board.

I know we could fashion a budget plan that would have the support of the majority of this body, and in this case the Members on both sides of the aisle. It would be a plan that could achieve a balanced budget not only by the year 2002 or 2000, but even earlier; a plan that would have a very good chance of enacting all the ensuing appropriations and reconciliation bills into law. Most

importantly, Mr. President, it would be a plan that would have the support of the American people.

I know the votes are there. In their hearts, I think many of my colleagues on both sides of the aisle know it, too. If the leadership would allow Senators to do it, I bet we could have a plan drawn up and passed within a week.

Of course, that is almost certainly not going to happen. The leadership will not permit Members to vote their conscience. There are many Members in this body on the other side of the aisle who know and have said to me that tax cuts do not make sense at this time.

Whatever happened to the charade in the Senate during the budget resolution debate? We heard Members on the other side say there is no tax cut in the budget resolution; what are you talking about? Some Members tried to point out there was a \$170 billion item that said if certain things happened, we would have \$170 billion available that could be used for a tax cut.

On the television and on the Senate floor the fraud was perpetrated that that \$170 billion was not specifically devoted to tax cuts. Some of the Members on the other side were more straightforward, including the Chair. He did not mess around. He put out an amendment that said if there is \$170 billion, it shall be used for a tax cut. That at least was honest. He was not pretending. The Chair does believe in the tax cut and was straightforward about it.

He had a good day yesterday. Not only did that \$170 billion get locked in, he got it up to \$245 billion with the help of the Members of the other body. This whole charade that was played out in the national media that the Senate Republicans were trying to fight the tax cut has been permanently put to rest.

Both the other House and this body are led by folks who intend to deliver a tax cut, at the same time they are trying to tell the American people their top priority is balancing the Federal budget.

Extreme elements have made it clear what happens to Members when they vote their conscience. Presidential politics has further taken a budget that is already thoroughly contaminated. But, there is still the tiniest hope.

I urge my colleagues on the other side to consider that avenue. I worked on deficit reduction packages with Members of both parties, and the spirit and willingness to work together for a fair package is there. The group led by the Senator from Nebraska [Mr. KERREY] and the Senator from Colorado [Mr. BROWN] is one example of a bipartisan deficit reduction effort in which I had the chance to participate.

And I am proud to be working with my good friend from Arizona, Mr. MCCAIN, on a number of budget reforms. I know there are Members on both sides of the aisle who want to work together. I know there are Members on the Republican side who are

simply embarrassed to put forward an irresponsible tax cut at this time.

Mr. President, I urge them to look at this again, to consider rejecting this agreement and forcing the body to consider, instead, a responsible budget.

Mr. President, we need to pull back from this tax cut. We need to make a budget that is tough, that makes justifiable cuts to all areas of Government. Mr. President, we need a budget that gets rid of this unwarranted tax cut.

I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER (Mr. GRAMS). The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, first of all, I want to commend my friend and colleague from Wisconsin for his excellent presentation. He has spoken with great eloquence about the role that we will be faced with here in the U.S. Senate in these next several days.

Most importantly, he has pointed out responsible alternatives that can help this Nation deal with its fiscal challenges. I think all Members would be wise to heed the clarity of his thinking and the power of his persuasion.

I thank him very much for an excellent presentation. I certainly hope our colleagues will pay attention to it. I

Mr. President, as the Senator from Wisconsin has pointed out, and what is increasingly apparent to the Members of this body and I think to the American people, is that there is an ongoing process that is taking place in both the House of Representatives and Senate as to what is going to be the investment policy of the United States; how we are reflecting our priorities of what we are going to invest in or cut back in; what groups are going to benefit from these decisions and judgments, and who is going to pay a price for it.

That process has been going on for a number of weeks. Now, with the announcement that was made last evening, the focus has become sharper as to the direction that the Congress will follow.

Mr. President, the Republican budget deal announced yesterday is one more salvo in the Republicans' continuing war on working American families. In fact, it's another attack on senior citizens, children, families, and veterans.

It pretends to protect Social Security, while making harsh cuts in Medicare. But the distinction is a false one, because Medicare is part of Social Security. Like Social Security, Medicare is a compact between the government and the people that says "Pay into the trust fund during your working years, and we will guarantee good health care in your retirement years."

Any senior citizen who has been hospitalized or who suffers from a serious chronic illness knows full well there is no security without Medicare; the cost of illness is too high. A week in an intensive care unit can cost more than the total yearly income of most senior citizens.

In fact, the Republican attack on Social Security is even more direct. The Medicare part B premium is deducted directly from Social Security checks.

In particular, it is the low and moderate-income elderly who will suffer most from Medicare cuts. Eighty-three percent of all Medicare spending is for older Americans with annual incomes below \$25,000; two-thirds is for those with incomes below \$15,000.

The conference agreement maintains the misplaced priorities of the bills passed separately by each House.

The Medicare cuts are so deep as to break America's contract with the elderly—even worse than the draconian cuts passed by the Senate.

Over the life of the resolution, the average senior will have to pay an additional \$3,200. Elderly couples will have to pay \$6,400. Seniors with the highest health costs will pay even more.

The authors of the resolution do not seem to understand that the elderly cannot afford these cuts. The average senior only has an income of \$17,750 a year. Seniors already pay 21 percent of their income for health care—a greater amount than they paid before Medicare was even enacted. Eighty-three percent of Medicare spending is for seniors with incomes of less than \$25,000. Two-thirds is for seniors with incomes of less than \$15,000.

These cuts are so deep that they will devastate not only seniors but our health care system as a whole. Rural hospitals, public hospitals, and academic health centers will be particularly hard hit. The leaders of academic medicine concluded that these cuts will mean that "Every American's quality of life will suffer."

Cutbacks in Medicare and Medicaid will shift costs to every working family in the form of higher health care charges and higher insurance premiums.

Medicare is part of Social Security. Seniors have worked hard all their lives. They have earned their Medicare. They deserve it. It is wrong to break the promise of Medicare to pay for tax cuts for the wealthy. It is a false economy to shift costs from the Federal budget to the family budgets of senior citizens and working families.

The Medicaid cuts are equally wrong. Five to seven million children will lose their coverage. One million seniors will lose coverage. States will face huge new fiscal burdens.

This proposal is wrong for seniors. It is wrong for working families. It is wrong for children. And it is wrong for America.

The fundamental unfairness of this proposal is plain. Because of gaps in Medicare, senior citizens already pay too much for the health care they need. Average elderly Americans pay an astounding one-fifth of their income to purchase health care—more than they paid before Medicare was enacted 30 years ago. And the reason we enacted Medicare was because the elderly faced a health care crisis then.

Lower income, older seniors pay more than a fifth of their income for health care. Medicare does not cover prescription drugs. And its coverage of home health care and nursing home care is limited.

Unlike private insurance policies, Medicare does not have a cap on out-of-pocket costs. It does not cover eye care or foot care or dental care. Yet this budget plan piles additional medical costs on every senior citizen—while the Republican tax bill that has already passed the House gives a lavish tax break to the rich.

It is interesting to compare the generous benefits that the authors of this resolution enjoy under the FEHBP plan available to every member of Congress to the much less comprehensive benefits provided by Medicare. Medicare has no coverage at all for outpatient prescription drugs, although they are fully covered under Blue Cross-Blue Shield Standard, the most popular FEHBP plan. The combined deductible for doctor and hospital services under Blue Cross/Blue Shield is \$350. For Medicare, the combined deductible is \$816. Blue Cross/Blue Shield covers unlimited hospital days with no copayments. Under Medicare, seniors face a \$179 per day copayment after 60 days and \$358 after 90 days. After 150 days, Medicare pays nothing at all.

Medicare covers a few preventive services, but it does not cover screenings for heart disease, colorectal cancer, and prostate cancer—all covered by FEHBP benefits. Dental services are covered for Members of Congress—but not for senior citizens. Members of Congress are protected against skyrocketing out-of-pocket costs by a cap on their total liability, but there is no cap on how much a senior citizen has to pay for Medicare copayments or deductibles.

Members of Congress earn \$133,600 a year. The average senior's income is \$17,750. For the limited Medicare benefits they receive, seniors pay \$46 a month, but for their comprehensive insurance coverage Members of Congress will pay a grand total of \$44 a month. Senior citizens pay \$2 more out of incomes only about one-eighth as large.

Republicans do not seem to understand that the average senior citizen has an income of only \$17,750 a year. The Republican budget will force millions of elderly Americans to go without the health care they need. Millions more will have to choose between food on the table, heat in the winter, paying the rent, and paying for medical care. Any plan that does that is cruel and unjust.

Senior citizens have earned their Medicare. They have paid for them, and they deserve them. Yet our Republican friends would deny them these much deserved benefits.

How do they explain this to senior citizens? This is a budget that Marie Antoinette would love—"let them eat cake." And it is Medicare that is being sent to the guillotine.

The Medicare cuts in this resolution harm more than senior citizens. These proposals will also strike a severe blow to the quality of American medicine—damaging hospitals and other health care institutions that depend heavily on Medicare.

These institutions provide essential health care for Americans of all ages, not just senior citizens. Progress in medical research and training of health professionals depends on the financial stability of these institutions academic health centers, public hospitals, and rural hospitals will bear an especially heavy burden. As representatives of the academic health centers that guarantee our world-renowned excellence in health care said of the Republican budget, "Every American's quality of life will suffer as a result."

In addition, these massive costs will inevitably impose a hidden tax on workers and businesses. They will face increased costs and higher insurance premiums, as physicians and hospitals shift even more costs to the nonelderly. Accordingly to recent statistics, Medicare now pays only 68 percent of what the private sector pays for comparable physicians' services; for hospital care, the figure is 69 percent. The proposed Republican cuts will widen this already ominous gap.

Republicans have argued that the deep cuts are needed to save Medicare from bankruptcy. The hypocrisy of this claim is astonishing. Just a few weeks ago—before they began to feel the political heat on Medicare cuts—the Republicans passed a tax bill in the House that took almost \$90 billion in revenues of the Medicare hospital insurance trust fund over the next 10 years—and brought it that much closer to insolvency. We did not hear a word then about the impending bankruptcy of Medicare.

We also did not hear about it when last year's Medicare trustee's report was issued. Republicans were too busy last year blocking health reform and pretending there was no health care crisis at all.

This year's trustees report actually shows the Medicare trust fund to be in a stronger financial position than last year. The new-found Republican concern for the solvency of the Medicare trust fund is a sham—a convenient pretext to rob Medicare to pay for tax breaks for the rich. Medicare is nowhere near as bankrupt as Republican priorities.

It is true that the April 3 report of the Medicare trustees projects that the Medicare hospital insurance trust fund will run out of money by 2002. But few if any Republicans would be talking about Medicare cuts of this magnitude, absent the need to finance their tax cuts for the wealthy. As the Medicare trustees themselves noted in their report, modest adjustments can keep Medicare solvent for an additional decade—plenty of time to find fair solutions for the longer term.

Similar projections of Medicare insolvency have been made numerous times in the past, but adjustments enacted by Congress were able to deal with the problem without jeopardizing beneficiaries. Now is no different. For example, an estimated 20 percent of all Medicare hospitalizations could be avoided with better preventive services and more timely primary and outpatient care. As much as 10 percent of all Medicare expenditures may be due to fraud, and could be reduced or eliminated by better oversight.

Some Republicans have accused Democrats of attempting to scare America's senior citizens. Senior citizens do have reason to fear what this budget resolution will do to their Medicare benefits. But the real fearmongers are those who attempt to cloak their misguided budget in demagoguery about the bankruptcy of Medicare.

We do not have to destroy Medicare in order to save it.

Another false Republican argument in defense of Medicare cuts is that they are not really a cut, because the total amount of Medicare spending will continue to grow. The fact is that the Republican plan calls for spending far less on Medicare than the Congressional Budget Office says is necessary to maintain the current level of services to the elderly.

Every household in America knows that if the cost of your rent, the cost of your utilities, and the cost of your food go up—and your income stays the same—you have taken a real cut in your living standard.

Only in Washington could someone say with a straight face that making senior citizens pay hundreds of dollars a year more for their medical needs is not a cut in their benefits. Every senior citizen understands that.

Republicans speak of a cut in defense, even though defense spending has stayed stable. Apparently, the same Republican logic does not apply to senior citizens that applies to defense. Well, I say to them—a cut is a cut is a cut—whether it is in Medicare or Social Security or national defense.

The third specious Republican argument is that Medicare costs can be cut by encouraging senior citizens to join managed care. True, such care may help bring Medicare costs under control—in the long run. Enrollment by senior citizens in managed care is already increasing rapidly. It is up 75 percent since 1990. But no serious analyst believes that increased enrollment in managed care will substantially reduce Medicare expenditures in the timeframe of the proposed Republican cuts.

In fact, according to the General Accounting Office, Medicare now actually loses money on managed care, because the healthiest senior citizens tend to enroll in managed care and the payment formula is too generous. This kind of problem can easily be worked out, and will help to restore the fiscal stability of the program. But the only

way to save serious money in the short term on managed care is to penalize those who refuse to join. This harsh option has already been suggested by the Republican health task force in the House of Representatives.

I say to my Republican colleagues—it is wrong to force senior citizens to give up their freedom to choose their own doctors and hospitals. It is wrong to penalize them financially if they refuse to enroll in managed care.

The American people will never accept a policy that tells senior citizens they have a right to go to the hospital and doctor of their choice, or that puts unfair financial pressure on senior citizens to give up that right.

A further Republican argument is that deep cuts in Medicare are necessary to balance the budget. That argument refutes itself. It is nothing of the kind. All it proves is that Republican priorities are wrong. There is a right way to balance the budget, and a far-right way. And unfortunately, the Republicans have picked the latter.

It is true that we need to bring health care spending under control. But that applies to all health spending, not just Medicare. As President Clinton told the White House Conference on Aging last month, 40 percent of the projected increase in Federal spending in coming years will be caused by escalating health costs.

But what this Republican budget fails to recognize is that the current growth in Medicare spending is a symptom of the underlying problems in the entire health care system—not a defect in Medicare alone.

In fact, Medicare has done a better job than the private sector in restraining costs in recent years. Since 1984, Medicare costs have risen at an annual rate that is 24 percent lower than comparable private sector health spending. As a result, Medicare now pays only 68 percent of what the private sector charges for comparable physicians' services; for hospital care, the figure is 69 percent.

Slashing Medicare unilaterally is no way to balance the budget. It will simply shift costs from the budget of the Federal Government to the budgets of senior citizens, their children, and their grandchildren. That's not a real saving.

Moreover, senior citizens will also face greater discrimination from physicians and hospitals less willing to accept them as patients, because Medicare reimbursements are already much lower than the reimbursements available under private insurance. Previous cuts in Medicare have already led to serious cost shifting, as physicians and hospitals seek to make up their reduced income from Medicare patients by charging higher fees to other patients. The result has been higher health costs and health insurance premiums for everyone, as cost shifting becomes a significant hidden tax on individuals and businesses.

The right way to slow rising Medicare costs is in the context of broader

health reforms that will slow health cost inflation in the system as a whole. That is the way to bring Federal health costs under control, without cutting benefits or shifting costs to working families. In the context of broader reform, the needs of academic health centers, rural hospitals, and inner city hospitals can also be met. Unilateral Medicare cuts alone, by contrast, will reduce the availability and quality of care for young and old alike.

The cuts in Medicaid proposed in the Republican budget are equally unfair—a total of \$175 billion over 7 years. The double whammy of huge Medicare cuts and huge Medicaid cuts will hit hospitals and other health care providers even harder than Medicare cuts alone. Struggling State governments and State and local taxpayers will also face heavy burdens. Massachusetts would lose billions of dollars in Federal matching funds over the next 7 years. By the year 2002, we would need to increase State spending by 26 percent to maintain current program levels. Other States with higher Federal matching rates would be hit even harder.

States cannot afford these huge increases. And the impact of these arbitrary cuts on working American families is even more disturbing. Medicaid is a key part of the safety net for senior citizens, the disabled, and children. Two-thirds of all Medicaid spending is for senior citizens and the disabled. If an elderly American becomes sick enough to need long-term nursing home care, Medicaid is the only source of funding after personal savings are exhausted. Cuts in Medicaid will mean that needed care for senior citizens is denied. Heavy additional burdens will be imposed on their children and grandchildren.

At a hearing in the last Congress by the Labor and Human Resources Committee in Quincy, MA, one of the witnesses was a retired veteran named Clifford Towne, who lived with his wife Marie in South Dartmouth.

Clifford Towne is a veteran who fought in World War II. He worked hard all his life in the textile business. When he retired, he had over \$100,000 in the bank. He owned his own home, and he had a good pension from Social Security. But both he and his wife developed serious medical problems. High medical costs that Medicare did not cover well enough—especially prescription drugs—had wiped out his savings. He had to run up large debts. As he told our committee, he tried to qualify for Medicaid, but his Social Security income was too high. "They told me," he said, "that the only way I could get help for my wife was to leave her. But after 48 years, I just couldn't do that. I'd rather kick the bucket than be forced to get a divorce. So my wife and I talked it over and decided that when we couldn't pay for the drugs any more, we just would have to stop taking the prescription drugs. We'd rather pass away together—or at least as close together as we can. About 3 or 4

months ago, I already cut down on drugs for my blood pressure. I don't want my wife to have to cut down on her medications until we have no other choice."

Children depend on Medicaid as well. Eighteen million children—more than a quarter of all children in our country—receive health care under Medicaid. More than half of these children are members of working families. Their parents work hard—most of them 8 hours a day, 40 hours a week, 52 weeks a year. Without Medicaid's help, all their hard work will not buy their children the health care they need.

We often hear that the reason to balance the budget is for America's children. A budget that denies health care to millions of children is the wrong way to express concern for their future.

Not only does the Republican budget slash health benefits for low-income children, it cashes out the investments we have made in the Nation's youth by cutting education programs severely over the next 7 years.

And for what purpose? To "ensure a better future for our children?" To provide them with "more and better opportunities than we now enjoy?" Nothing could be further from the truth.

Every parent knows that education is the foundation of a better life for their children. Deep Republican cuts in education betray the hopes and dreams of parents for their children and undermine the Nation's future strength. As America moves into the high-technology world of the 21st century, our schools and colleges and students need more help, not less.

The Senate budget contained the largest education cuts in U.S. history—over one-third of the investment in education by the year 2002, and \$30 billion in cuts in financial aid to college students.

This budget conference agreement makes these completely unacceptable cuts worse. During floor debate on the Senate budget resolution, we passed a bipartisan amendment by a vote of 67 to 42 to restore \$9.4 billion to student loan accounts so that students would not face increases in personal indebtedness of up to 50 percent. Republicans and Democrats in both the House and the Senate wrote to the conferees to urge them to adopt the Senate number on student loans. Fourteen Senate Republicans signed a "Dear Colleague" letter to the conferees reinforcing this point.

And what does this budget agreement do? It requires \$10 billion to be taken from students in the form of increased fees and interest rates on student loans; 88 percent of the cuts in student aid contained in this budget fall on families earning \$75,000 or less. The Republicans claim to balance the budget to protect the next generation. But they are more than willing to bury this generation of students in debt. And for what? To pay for tax cuts for the wealthy.

The following is a summary of the consequence of the conference education cuts:

**Overall:** Largest education cuts in U.S. history; eliminates 33 percent of the Federal investment in education by year 2002 based on Congressional Budget Office estimates.

**College aid:** Cuts \$30 billion in Federal aid to college students over the next 7 years. Half of all college students receive Federal financial aid; 75 percent of all student aid comes from the Federal Government.

**Increases personal debt for students** with subsidized loans by 20 to 48 percent by eliminating the in-school interest subsidy. Affects up to 4 million students a year; undergraduate students who borrow the maximum of \$17,125 will pay an extra \$4,920.

**Reduces Pell grants** for individual students by 40 percent by the year 2002, or terminates Pell grants altogether for over 1 million students per year, even assuming a freeze at 1995 funding levels.

**Could increase up-front student loan fees** by 25 percent, raise interest rates on student loans, or eliminate grace period for students to defer payment on loans after graduation.

**School aid: Elementary and Secondary Education Act—Cuts funding** for improving math and reading skills to 2 million children; reduces funding for 60,000 schools.

**Safe and drug free schools—Cuts over \$1 billion in antidrug and antiviolence programs** serving 39 million students in 94 percent of the Nation's school districts.

**Head Start: Denies preschool education** to between 350,000 and 550,000 children.

**Special education: Eliminates \$5 billion in Federal support** for special education services for 5.5 million students with disabilities.

**Goals 2000: Denies assistance** to 47 States and more than 3,000 school districts helping students to achieve higher education standards.

**School-to-work: Cuts \$5.3 billion** from initiatives to improve job skills for up to 12 million students through local partnerships of businesses, schools and community colleges.

**Technology: Eliminates Federal initiatives** to develop and provide educational technology for the classroom through collaboration with private funders.

In the last Congress, Republicans and Democrats stood together as the education Congress. In the last Congress, we voted 98 to 1 to expand Head Start to make preschool available to more children. Yet the Republican budget eliminates hundreds of thousands of eligible children from Head Start over the next 7 years.

In the last Congress, we voted 77 to 20 to improve the way the Federal Government supports elementary and secondary education. We strengthened our commitment, through title I, to help children improve their basic reading

and math skills. The Republican budget denies those services to millions of children and reduces funding for tens of thousands of schools. These damaging cuts would affect virtually every public school in the country, and many parochial and private schools as well.

In the last Congress, we enacted Goals 2000—again with a bipartisan vote—to support States in their efforts to develop high standards for students. The Republican budget denies assistance to States and thousands of school districts, drastically reducing Federal support for these essential reform efforts.

In the last Congress, we joined together to create school-to-work initiatives that provide seed money to every State to design and implement systems that will provide more effective connections for young people between classroom learning and real job opportunities in local communities. The Republican budget repeals this highly successful legislation. Additionally, it cuts billions of dollars over 7 years from a number of education and work preparation initiatives designed to improve the job skills for students.

In the last Congress, we launched the National and Community Service Program—another bipartisan effort—to support local efforts throughout the Nation that encourage young people to serve in their communities. Under the Republican budget, AmeriCorps and service learning are eliminated, denying funds for the 40,000 students planning to devote themselves to a year of full-time service in 1996 and the 550,000 students in American schools who could take advantage of service learning opportunities in and out of the classroom.

And what about the Nation's students and working families struggling to pay for college? In the last Congress we enacted the Student Loan Reform Act, which is saving the Nation's students over \$2 billion in loan fees, lower interest rates, and more favorable repayment terms.

The Republican budget cuts Federal support for student financial aid by billions of dollars over the next 7 years. And this is not an area where States will pick up the slack; 75 percent of all student aid comes from the Federal Government, and one-half of the Nation's students receive Federal aid.

Under the Republican budget, no aspect of student aid would remain untouched. For 30 years, the Federal Government has paid the interest on federally subsidized Stafford loans while students are in college, so that the interest does not build up before students graduate and can begin paying back their loans. Under this Republican budget, that vital support would be denied.

Something has to give, and apparently the Republicans have decided that it is the Nation's students who must give.

And it is not only student loans that will be slashed by the Republican budg-

et. Over the next 7 years, Pell grants will drop steeply. This decline in buying power comes at a time when the cost of attending State universities is rising by an average of 5 percent per year.

Three other major sources of Federal student aid—supplemental educational opportunity grants, State student incentive grants, and Perkins loans—would also be drastically cut by this budget.

This is not sharing the pain. This is a full-scale assault on the Nation's students and working families.

Thousands of students from across the country have written to me by mail and on the Internet to describe in personal terms what these cuts in student aid would mean to them. They speak of the sacrifices their parents are making, the extra jobs they are holding down, and the value of every dollar in financial aid making it possible for them to pursue their education.

Let me share with you a few examples of the moving testimony I have received from students across the country.

A student attending medical school in Massachusetts writes:

I am a 24-year-old African-American woman, born and raised in St. Louis, Missouri. I come from a poor, working class, two-parent household. I am proud to say that I was the first African-American valedictorian at my high school. I went on to college at a private institution. I received very much needed financial aid while there, including loans and scholarships. My parents helped as much as they could, but with two other children, they could only help a little . . . Without the Stafford and Perkins loans that I received, I would not have been able to continue my education. After graduating from college I was accepted to an Ivy League medical school where I am still very much dependent on federal financial aid. I hope to practice primary care pediatrics in an indigent community. I am close to finishing school and may not be affected by such harsh cutbacks, but I am very concerned for the future generation of students.

Under the Republican budget a student following this course of study could well face over \$40,000 in additional interest payments at the end of her medical training.

A student from New York writes:

My mother just got laid off today. I only have one year left before I receive my bachelor's degree. I don't want my opportunity and those of others to be cut short.

Everyone in the White House, on Capitol Hill, and in the State governments had their opportunity. Why are you taking away ours?

A college graduate from Colorado writes:

I am not a student, but I'm raising my voice in support of government backing for student loans. If it were not for student loans, I would not have been able to attend college. My mother was supporting two kids and we lived in government subsidized housing—the projects. There was simply no way she could have paid for a college education for us, so we applied for loans and more loans. I received some grants and a great deal of loan assistance, and still I worked at McDonald's. I am now a consulting writer

and I never have to look for work . . . it looks for me. This is a most wonderful life and I wouldn't have had any chance at all of attaining it without those student loans and grants. Please do whatever it takes to ensure that others get this chance . . . it is what allowed me to become who I am today, and I thank you all.

Another student, from Maine, summed up the situation: "If you think education is expensive—try ignorance."

The Republican budget turns its back on investing in our future—our children's education. It is the wrong priority for the Nation, and that makes no sense.

Children will also suffer because the Republican budget cuts back on the earned income tax credit. The earned income tax credit gives families with incomes of up to \$28,000 a year the incentive to enter the work force and become self-sufficient. It makes work pay by providing a tax credit up to 40 cents for every dollar a low-income worker earns. The average credit is \$1,400 a year. It offers major assistance to working families to raise their standard of living and climb out of poverty.

The Senate Republican budget slashes billions of dollars from the earned income tax credit over the next 7 years. That's an unacceptable tax increase of \$1,400 for 12 million working American families and their children.

Tax increases for the working poor—and tax cuts for the rich. What a shameful commentary on Republican priorities and the Republican budget. No wonder the country is turning against the Republican Congress.

Republicans claim that they are interested in moving welfare recipients into work. But slashing the earned income tax credit, along with the other punitive proposals in the Republican welfare reform bill, makes a mockery of that claim. These cuts will encourage dependence, not independence. They will weaken the safety net that protects working families and children from falling into poverty.

The earned income tax credit has always had bipartisan support in the past. President Reagan called it "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." It is shocking that the Republicans are proposing to cut this tax credit for low-income workers to pay for tax breaks for the rich.

During the budget debate last month, Democrats offered amendments to use the \$170 billion tax cut fund not only to restore the earned income tax credit for working families, but protect Medicare and Medicaid as well as reverse the cuts in the student loan program. On amendment after amendment, the Republican majority voted to protect only one thing—their tax breaks for the rich and the special interests, instead of helping working families and their children.

One of the worst examples of Republican misplaced priorities is their blatant attempt vote to keep the tax loophole open for billionaires who renounce

their American citizenship in order to avoid paying taxes on the massive wealth they've accumulated in America. These unpatriotic bums get a tax loophole—and hard-working low-income Americans get a tax increase. Does anyone in America seriously agree with those shameful Republican priorities?

The Joint Committee on Taxation recently completed its long-awaited study on the billionaires' tax loophole, and the report was a further blatant attempt to save the loophole, rather than close it.

According to earlier revenue estimates, closing the loophole would raise \$3.6 billion over the next 10 years. Clearly, substantial revenues are at stake.

At least the Finance Committee tried to close this flagrant loophole.

But it reappeared in the bill in conference with the House, supposedly because a few so-called technical issues needed to be addressed.

It turns out that the only serious technical issue was how to keep the loophole open. Well, our Republican friends studied the issue as hard as they could, and a few days ago, they came up with a way to save as much of the billionaires' loophole as possible.

It took a bit of work. But the Ways and Means Committee has finally found the ways and means to keep the loophole open. Earlier this month, they reported out a bill to do it. They have even given the bill an appropriate number: H.R. 1812. What a perfect number for a tax loophole bill—1812. That is about the year their thinking on tax reform stopped. Well, I think we will just try to bring their 1812 bill into the 20th century when it gets to the Senate—and close that loophole the way it ought to be closed—closed tight on those unpatriotic billionaires.

I just wish our Republican friends would put as much time and effort into closing tax loopholes and reducing corporate welfare as they put into keeping these loopholes open. We would save tens of billions of dollars, and be able to balance the budget fairly, instead of balancing it on the backs of Medicare and education and low-income working families.

The chairman of the Ways and Means Committee proposed to tinker with the existing law—and in a way which does not address the fundamental problems of this tax loophole.

First, the proposal allows expatriates to pay no U.S. tax on their gains if they are willing to wait 10 years before they sell their assets. This part of the loophole already exists in current law, and has been repeatedly pointed out. There is no logical reason to leave it open.

Second, one of the major problems of current law is the fact that gains from foreign assets built up during U.S. citizenship are not subject to U.S. tax after expatriation. Yet, some of the most flagrant cases of expatriate tax abuse involve individuals who avoided taxes on foreign income.

Any serious proposal to address these issues must tax the gains on the expatriate's worldwide assets, and this tax must be imposed at the time of expatriation.

Third, expatriates will continue to use tax planning gimmicks to avoid taxes on gains from domestic assets by shifting income from the domestic to the foreign side of the ledger. As long as the Tax Code exempts foreign assets from taxes upon expatriation, taxpayers will find new ways to shift their assets and avoid their taxes.

Fourth, the proposal allows billionaires to avoid the expatriation tax by taking up residence in certain countries with which the United States has a tax treaty that prevents taxation of former citizens. An expatriate and their lawyer can easily find tax havens with such tax treaties, and we ought to reject that easy means of tax avoidance.

Fifth, the so-called reform cannot be effectively enforced. Expatriates can leave U.S. tax jurisdiction without paying a tax or posting security. Expatriates will merely fill out a form at the time of expatriation, and the IRS will be left holding the bag.

At the very time when Republicans in Congress are cutting Medicare, education, and other essential programs in order to pay for tax cuts for the rich, they are also maneuvering to salvage this unjustified loophole for the super wealthy. I say, this loophole should be closed now and closed tight—no ifs, ands, or buts. I intend to do all I can to see that it is.

Working families have been asked to shoulder too much of the burden of deficit reduction in the Republican budget. The cuts in important health, education, and income assistance programs will diminish the opportunities of millions of Americans to improve their lives and their future. I urge the Senate to reject this unconscionable budget.

All Members urge our colleagues and the American people to take the time to focus on exactly what the alternatives are that are being recommended by the Republican leadership in the House of Representatives and in the Senate of the United States.

The reason that we urge this very careful attention over these next few days is because of the enormous consequences that it is going to have on them, on their children, and on their parents.

No judgment will have been made in recent times that will be more decisive as to the impact on American families than the outcome of these budget considerations.

The actions that we took here in the last Congress that saw the changes in the Head Start Program to reach younger children and improve the quality of its services, in the title I education program for disadvantaged children, in Goals 2000, in the School-to-Work Program, in the direct loan program—all are reflective of Republican

and Democratic efforts to protect the priorities of working families in this country, that education is important. With this budget, that effort is significantly undermined. And it is undermined not just in this Congress but it is undermined for the next 7 years. That is what we are talking about. That is why this whole debate and discussion is of such importance.

We are not just talking about what is going to be appropriated in 1 particular year. We are deciding a glidepath for the next 7 years and we are making judgments about what is going to be invested in the children of this country over the next 7 years. What we are talking about is what is going to be the increase in out-of-pocket payments for our seniors over the period of the next 7 years. And what we are talking about, which is the most unconscionable item, is what is going to be going into the pockets of the wealthiest individuals and corporations over the period of the next 7 years.

That is the issue that is before this country. That is the issue of importance for every American family to take note of. We are urging their focus and attention on this issue today and over the period of these next several weeks.

Mr. SARBANES. Will the Senator yield?

Mr. KENNEDY. I will be glad to yield.

Mr. SARBANES. This 7-year blueprint which the Republican budget plan is laying out for the country, is it not correct that the cuts in the investments in the future—cuts in education, in college opportunities, in work training programs, all of the things that build a stronger economy—that those cuts intensify in each of the subsequent years as you move through the 7-year period?

So that people need to understand. I think the Senator is making an extremely important point. This is not just the plan for next year. It is the plan for 7 years. Furthermore, the way this plan is structured, as I understand it, the impact will intensify as we move through the time period so what people will experience in the first year of the plan, which I submit will be very draconian, will worsen as the time passes through the 7-year period. Is that correct?

Mr. KENNEDY. The Senator is absolutely right and is focused on what might be considered a subtlety because it is not talked about and is deemphasized by those who are supporting this program. But in reality the Republican budget is going to adversely impact our seniors and our children over the next 7 years, in a cumulative way, which I believe will do serious damage to the next generation as well as older generations as well.

Mr. SARBANES. Will the Senator yield? Do the tax cuts for the wealthy that are provided in this plan—in other words, what the plan is doing is sharply curtailing opportunities for working



people, taking the money that is realized from that, and then using it, as I understand it, to give a tax cut to the very wealthy. Do those tax cuts occur in the beginning or in the front of this 7-year period? Or do they occur at the end of the 7-year period?

As I understand it, with the changes made in the budget conference the tax cuts now will be part of the reconciliation and therefore will become applicable at once, or in the near future, for the benefit of the very wealthy while the rest of the population will begin to bear these cuts and then bear them throughout the 7-year period, is that correct?

Mr. KENNEDY. The Senator is absolutely correct. Not only do you have the imbalance of the cuts on working families, on their children, and on senior citizens, but you also have this enormous benefit to the wealthiest individuals through this tax break.

I would just ask my friend and colleague, if these cuts went in as incentives to improve our economy and create more jobs, you might be able to find some justification. But the nature of these cuts—it is like taking billions of dollars and throwing them off the Capitol. Some people will pick them up and buy tee shirts and hotdogs, but the benefits will go in the most extraordinary way to the wealthiest individuals without having the real, positive impact in terms of encouraging investment in our society.

Would the Senator agree with that?

Mr. SARBANES. I think the Senator is absolutely right. People have to understand, because people say we want to eliminate the deficit, then they say we ought to cut spending, but with this plan, a good part of the cut in spending is not to eliminate the deficit but to provide a pool of money which can then be given as tax cuts for the people at the very top of the income scale. In effect, what this budget plan is doing is, it says to people on Medicare, our senior citizens: You are going to take a reduction in your Medicare services. It says to young people who want to go to college, it is going to become much more costly for you to go to college. And the reason this is happening, a good part of the reason this is happening, is to create a pot of money with which to give these tax cuts.

I submit, anyone weighing the equities of this and the desirability of this in terms of investing in the future would conclude it would be better to keep open the opportunities for college, not to subject our senior citizens to higher risks with respect to medical treatment and medical care, not to impact on child nutrition and feeding programs, school lunches, and so forth—not to hit those programs so heavy and to give up on the notion of giving a large tax cut to very wealthy people.

I do not understand the rationale for doing that, in terms of the priorities of the country, I say to my distinguished colleague.

Mr. KENNEDY. The Senator has stated it well. I think it is important

for all Americans who are going to pay attention to this debate to understand who are really being adversely impacted—working families and their children.

First of all, for the very young members of their families, they are going to be adversely impacted by the cutbacks in terms of the support for education reform in the schools across this Nation. If they have children that qualify for the Head Start Program, there will be 500,000 fewer children who will participate in this program. If they were dependent upon any kind of help and assistance in the Summer Job Program, that opportunity will be cut back. Their smaller children will be adversely impacted with the reduction in support for the public schools of this country.

Second, they are going to be adversely impacted if they have sons and daughters who go on to the fine schools and colleges in this country. One of the great phenomena that has taken place since the end of World War II is how American universities have dominated the world. Of the 140 great universities, 127 of them are in the United States of America. That is because of the policies which provide help and assistance to children; why we have a research program, and how those universities now are working with the private sector. They have been absolutely a phenomenal success to the benefit of our young people, the sons and daughters of working families. And 75 percent of all the funding for help and assistance to those children comes from the Stafford Loan Program and the other Federal support programs. Seventy percent of the children in the State of Massachusetts are dependent for that help and assistance. This is going to mean a \$30 billion reduction in this program over the next 7 years—\$30 billion in the education support programs for the young men and women.

Now let me just mention that not only will we see a reduction in the support for the education programs for children, we will see an increase of what their parents are going to have to pay as well. This is not just a family that is out somewhere in Main Street America. If they were working on the lowest level of the economic ladder, they would have qualified for the earned income tax credit that would help keep them off welfare and in jobs. We see the \$20 billion earned income tax credit expansion being effectively taken off the plate as to not benefit those working families.

What we are saying to the Medicare recipients, two-thirds of which are only making \$17,000 a year, is that they will have an average increase of \$3,200 over the next 7 years.

So we see the damage that is being done to the children of working families. We see the damage which is being done to the seniors who have paid into the Medicare Program and are entitled to that benefit. We see the reduction in the support of individuals that are

going to those schools. And we see the slashing of the EITC Program for working families. The leadership in the Congress is opposed to an increase in the minimum wage, and is trying to bring a reduction under Davis-Bacon to diminish working families' income, which averages \$27,000. You have to ask yourself, what have working families done to deserve this?

Does the Senator from Maryland agree that this is not a wholesale assault on the working families of this country?

Mr. SARBANES. That is right. What is happening is there is a massive effort to shift the economic benefits to a small group at the top of the income scale, a trend that has already been going on over the last decade and a half.

I ask the Senator from Massachusetts, does the provision from the conference committee drop the forgiveness of paying interest on your student loans while you are in school?

Mr. KENNEDY. The Senator is correct. If I could just mention in responding to that, does the Senator remember when this body, Republicans and Democrats alike, saw a restoration of billions of dollars to the Student Loan Program? I think it was an amendment of the Senator from Maine, OLYMPIA SNOWE, cosponsored by the Senator from Illinois. And after all the speeches that were made in support of that program, all the speeches of individuals who went on record to increase our investment in education, the ink was not even dry before the Republican conferees dropped it in conference.

I mean, does the Senator from Maryland find that is a way in which we attempt to reflect our commitment to higher education? And second, going back to the increase in interest payments on borrowing while the student is in school and college, mark this, every young person in America: You will pay an additional 30 percent in student loans as a result. And, as the Senator from Maryland said, why? To give \$245 billion to the wealthiest individuals. The young people of this country will say: All right. We are prepared to tighten our belts if everyone else is doing it. We are prepared to try to deal with the national challenge and a national need.

But are you prepared to support a program that says you are going to put that on the backs of the young people under the phony argument that we are doing this in order to get the country out of debt? Young Americans will be in debt for years and years to come as a result of this.

Does the Senator from Maryland think that makes any sense?

Mr. SARBANES. Absolutely not. People have to understand that under the existing program, which is now about to be changed, young people and their families take out loans in order to finance their college education. That is tough because it means they come out of school with a burden hanging over them which they then have to



pay off as they go through their working lives. Not to compound that problem, under the current system, the interest on those loans is abated or forgiven while they are in school, so you are not in this situation where you took out a loan and then you have to pay interest on the loan while you are in school. I think that is reasonable. That is sensible.

It is bad enough that you are taking on this heavy burden of paying off in the future. At least, do not compound the financial problem which these families confront at the very time they are trying to get a college education for their young men and women.

This proposal, as I understand it, will drop that provision, so they will be confronted then with the task of an additional burden added onto their loan responsibility in order to get a college education. It is tough enough now. I have talked with these families. They come to see me. They are desperate to find a way for their young son or daughter to get through college. The young people themselves are desperate. Sometimes they go out there holding three or four jobs at the same time to try to get enough money. They are committed to getting through college. Many families have never sent children to college before. It represents a breakthrough. They are out on an uncharted path.

Mark this: Other industrialized countries do not put their young people under this kind of stress and strain in terms of furthering their higher education. They make it possible for their young people with talent and ability to get a higher education. Why do they do that? Because they recognize that the benefit of further education is not only to the individual who gets it. That is an obvious benefit. But it is a benefit to society. They build a stronger society by making it possible for their young people to get an education. Here we are retreating from that challenge.

Mr. KENNEDY. The Senator has stated it accurately. But it is even worse than that. Last year, we moved in a very gradual way toward a direct loan program to permit young people to borrow at the same level at which the Federal Government borrows. That would mean lower interest rates, allowing an additional \$2 billion to be available for education to try to get a handle on the ever-increasing escalation of costs for tuition.

Effectively, with the action of the Budget Committee, that very modest but important step that can save kids anywhere from \$1,000 to \$2,000 over the period when they are going to school is effectively wiped out. Here we had a bipartisan effort to do it.

Beyond this, the Senator from Maryland is familiar with the President's program that says in this area of education, he had a small tax deduction as well. His program in terms of the reduction in taxes is focused on education. The Republicans are going to make it more difficult for the students

of this country to be able to afford to get an education. And what was on the other side? What we ought to be debating out here on the floor of the U.S. Senate is what the President suggested, and that is the following: That families with incomes up to \$100,000 would be able to deduct up to \$10,000 in tuition from their taxes to make it more affordable. Second, that they would be able to deduct the interest that they are paying on their debt.

Why does it make any sense when we permit deductions on interest on homes for wealthy individuals and we permit the deduction of other expenses for industry, why should we say education is of less importance?

That is what this President was fighting for. That is what we ought to be debating. If there is anything out here, any resources that could be used for tax cuts, would the Senator not agree with me that it makes a great deal more sense than taking the kinds of cuts in Medicare, in education, in slashing wages for working families and using it for the wealthiest individuals?

Mr. SARBANES. May I ask the Senator a question. Does the budget resolution cut back the earned-income tax credit program which was established to help working families get above the poverty line? This helps families, I think, with incomes up to \$27,000 or \$28,000.

Mr. KENNEDY. The Senator is correct. We have some 84,000 families, and we have about 300,000 individuals in my own State of Massachusetts.

Mr. SARBANES. Just in the Senator's State alone.

Mr. KENNEDY. In my State alone. And this was targeted, as the Senator understands. It had strong support from President Reagan and other Republicans. It had bipartisan support as well. And as the Senator understands, the reason for that is because of the increasing obligation that these families have in terms of paying the increase in Social Security and other tax programs just when they were moving off that bottom rung to the second rung of the ladder.

Mr. President, \$26,000 a year is not a lot to pay a mortgage, put food on the table, clothe your kids, and try to give them at least some limited relief.

As the Senator knows, in that budget there is a continuation of about \$4 trillion over the next 7 years of what we call tax expenditures which are available to wealthy corporations and companies.

At the same time they kept these tax breaks for the rich, they targeted the earned income tax credit. They took that away. They effectively raised the taxes on the lowest income people.

I would just finally ask, does the Senator not find it somewhat extraordinary they have eliminated the EITC, the earned income tax credit, without addressing the billionaire's tax loophole?

We found those economic forces working their way in that conference

committee after our Finance Committee and the Senate went on record to close that tax loophole that says to Americans, become modern Benedict Arnolds; renounce your citizenship; take your money and go overseas and do not pay any taxes.

We have been out here trying to get that closed. They need some additional money. Why are they closing that loophole? Oh, yes, there is quietness about it, no explanation.

It does not take a lot to figure out how that ought to be closed. However, they found all different ways of cutting back on children, the smallest children, the most vulnerable, cutting back on education, targeting our senior citizens. But they refuse to close the biggest and most unjustified loophole of all.

I just wonder if the Senator does not feel that that is something which the American people ought to begin to wonder about. They have read about it. They have heard about it months ago. They should be wondering why is it that we cannot have that loophole closed as well.

Mr. SARBANES. The Senator is absolutely right. It is very important for the public to understand that a tax measure built into the law before, which would have allowed working families to get an earned income tax credit in order to improve their position to support their family—these are people making up to \$27,000 a year—that is being cut back, that is being cut back at the same time that it is proposed to give tax breaks to people making hundreds of thousands of dollars a year.

Where is the fairness or the equity in that? If you were not giving a tax break, then you would have an argument about where the cuts should come, and there I think this program is draconian, but at least it would be in that context. But what is happening is you are cutting a tax provision to benefit working families in order to give a tax break to people making six-figure incomes, and to compound the bizarre nature of this, they are unwilling to close the billionaire's expatriate tax loophole on which the Senate has gone on record, I think unanimously or almost unanimously—

Mr. KENNEDY. No, two votes on that side of the aisle.

Mr. SARBANES. All right—to do away with it. And these are people, extremely wealthy people, literally billionaires we are talking about, who renounce their American citizenship in order to avoid paying American taxes. And the Treasury has worked out a proposal whereby they will not be able to get away with that. The conference was unwilling to encompass that proposal and to include it in the report.

So you have these tremendously wealthy people in effect walking scot-free from paying reasonable taxes. When you talk about this, the other side says, well, there you are; it is class warfare.

The class warfare is coming from the people at the top who are pulling in these benefits. That is the real class warfare that is happening here. Those who have much want more, more, more, and they throw the burden on those who have little, those who are struggling to make it through the day, struggling to educate their children, senior citizens who are struggling to meet their medical need problems, young families that are worried about how they are going to provide for their parents, worried about how they are going to provide for their children.

They cut back on the very programs designed to address those problems—Medicare, college loans, child nutrition programs, earned-income tax credit for working families—they cut back on those programs and at the same time that they are cutting back on those programs, they are giving large tax breaks to people with six-figure incomes, well above \$100,000 a year.

Now, what is the sense of that? Where is the equity in that? Where is the wisdom in that in terms of investing in America's future? Those making those large incomes ought to be concerned about what is happening to working families and their children because you cannot reside at the top of the house with any sense of security and comfort when the foundations down below are not solid. And those foundations need to be solid. We have to break out of this mentality of trickle-down economics: You put it all in at the top, and somehow it is going to trickle its way down to ordinary people. We need percolate-up economics where you create prosperity in the great base of American society. The people at the top will benefit from that, as will everybody else. But it will work its way up; it will come up from the grassroots; it will come up from working people; we will have a strong middle class, which was always the hallmark of a strong American economy and which we are losing. This budget resolution is a classic example of how to intensify those negative trends.

Mr. KENNEDY. Let me just review with the Senator from Maryland one other major impact that this has. Let us take the State of Massachusetts. This kind of reduction on the budget is going to mean \$1.2 billion less in scholarship assistance for students in the next 7 years. We can say, well, maybe the States are going to make up that difference. Just ask what has happened in Massachusetts over the last 5 and 7 years in terms of tuition.

The States have not been making it up. The States have not been making that contribution. And that has been true in every State of the country.

In my State of Massachusetts, with this Republican budget, it is going to mean a loss of \$9.8 billion in Medicare and \$4.6 billion in Medicaid over the next 7 years to the elderly and to the neediest people in our State, as well as to education. I do not know what it is

in the State of Maryland, but the cuts in Medicare and Medicaid will likely be equally harsh.

Who are the ones getting the help and assistance of Medicaid? Sixty-seven percent of the Medicaid money is spent for long-term care for the elderly poor and the rest for the disabled. And the rest are going to be the 5 to 7 million American children that are the poorest children in this country that are going to be off the list. Where are the States going to be coming up with that kind of money?

Who is going to pick that up? What has been the record of the States over the last 15 years in terms of the poorest children? It has been unacceptable. They say, "Look, we can do this here, we will just shift all of this back to the States." I know in Massachusetts, those kinds of offsets are not indicated in the Governor's budget, and I have not found any Governors across this country that have said they are prepared to make up the difference.

So what is going to happen? Here it is, long-term care, frail elderly who have no other resources, have qualified for the Medicaid; and the disabled, with all of the attendant costs and needs that families have when they have a disabled child—the emotion of that—the Medicaid program just providing enough to get along and provide some of those essential services are being told that they are going to have a \$175 billion cutback.

If you are talking about the Medicare, which our seniors have paid into, if you are talking about the Medicaid, which serves the most vulnerable people in our society, if you are talking about the children of working families and you do not qualify for these Stafford loans or Pell grants. The Pell grants, in terms of purchasing, are alone going to decrease 40 percent in value over the next 7 years. You have to be needy in order to qualify for those grants. We are talking about men and women, workers in America, playing by the rules, working 45 hours a week, 52 weeks out of the year, paying taxes and trying to bring up families, and this is going to hit every aspect of their life.

I am just wondering whether the Senator feels that the States, as former chairman of the Joint Economic Committee, are going to be in an position to be able to make all of this up?

Mr. SARBANES. If the Senator will yield, most of the Governors have been very clear that they cannot make it up. They are just not in a position to do so. Now what that means, because you talk about these cuts and you talk about numbers, you have to talk about services and people.

And what it means, as the Senator from Massachusetts so eloquently pointed out, is the frail elderly who are now benefiting from the Medicaid program in terms of long-term care in nursing homes and so forth and so on. What is going to happen to those people? What is going to happen to them

and to their families? Some families are stretched beyond the limits trying to handle the problem of their aged parents—beyond the limits.

Is it not enough of a burden to face the emotional and the psychological stress and strain which goes with that kind of problem? Talk to a young couple, with a parent who has Alzheimer's and is in a nursing home, about what they are up against, just emotionally what they are up against, the stress in their lives. Then you are going to add to it an intense financial and economic stress.

Why are we doing this? Why are we subjecting so many of our people to this incredible pressure? We have to cut so we can give big tax breaks, that is one reason. We will not reform the medical care system, which might well help us to deal with these problems; we are unwilling to do that.

So we leave this incredible pressure and burden on ordinary families all across America to face what for many of them are desperate problems. It is the same thing with educating their children. Any young couple will tell you that is one of the prime worries in their mind, how they are going to educate their young children.

We tried to put together a system. We had the Pell grants, which is a grant, not a loan. It has diminished in impact because we say we cannot afford it, so we shift it over to loans. We said, "All right, you take a loan, you will enhance your earning capacity, you will pay it back over your working career." Now the loan is going to be compounded because we are not going to forgive the interest charge. So this is what has happened.

Mr. KENNEDY. I ask the Senator just to draw his attention to the issue of fairness with regard to Medicare. I think the Senator from Maryland is familiar with what happened at the start of this year about whatever laws we apply and pass here we ought to make applicable to the Congress and to the Senate. That is a principle with which I agree. We could have done it last year. We had resistance from our Republican friends. Now we have passed it.

But there is an interesting flip side to that issue, which is about the benefits that we get. Should we not make sure that the people across the country are going to get the benefits that we get?

The Senate and the House of Representatives have resoundingly said no when it comes to health care reform. You have that little blue form, any Member of Congress or the Senate does not have to fill it out in order to participate in the Federal employees program. I do not know of any Senator who has filled that out. They are all taking advantage of it. So we see what happens under the program that is being put forward.

The annual incomes of Members of Congress is \$133,000; for seniors, \$17,750.

The monthly premiums, \$44; the seniors, \$46.

Deductible, \$350; for the seniors, \$816.

On the hospital care, we have unlimited care and theirs is defined and limited.

We have prescription drugs covered; not covered for our seniors. That is a key area we had included in President Clinton's program last year.

On the dental care, we are covered; our seniors are not covered.

And then a whole range of preventive services which are included, and they have some benefits but not nearly as extensive.

Then we take care of our out-of-pocket limit of \$3,700 and there is no out-of-pocket limit for the senior citizens.

It seems to me if you have that \$245 billion out there in the Republican budget, that we ought to be able to look out after our senior citizens and try to at least make these more equitable, some of these more fair, some of these that are important lifelines for our senior citizens to live in some peace and some dignity.

These are the issues, Mr. President. We are talking essentially about who is going to bear the burden of these economic cuts. Make no mistake about it, it is going to be the youngest people in this country who are going to find it more difficult, more expensive to go on to the schools and colleges. It is going to be the reduction of services that working families are going to need. It is going to be the concern of working families in recognizing that their parents are going to have to pay much more out of their pockets for the Medicare coverage which they are receiving now.

It is basically unfair to put that kind of burden on working families and to have the benefits for the wealthiest individuals.

So, Mr. President, these are the issues which we are going to have a chance to debate as we move on through. This debate is enormously important and of great consequence. It is going to have a direct impact on every family in this country, not just for this year, but over the period of the next 7 years. It is going to affect every parent and every child. That is what is going to be before this Senate and before the House in these days and weeks to come. We urge them to give it their attention, and let their Members of Congress know where they stand.

Do they think we ought to have these kinds of cuts in education and in the quality of life of our seniors in order to have a tax benefit for the wealthiest individuals? I say "no." That will be an issue we should debate, and we ought to hear from the American people as to what they believe.

I yield the floor.

#### PRIVATE SECURITIES LITIGATION REFORM ACT

The Senate continued with the consideration of the bill.

Mr. D'AMATO. Mr. President, I would like to speak on the amendment

that was submitted by my colleague, Senator BRYAN. The issue of whether we should extend the statute of limitations to bring an implied right of action is fraught with confusion.

In 1991, the Supreme Court, for the first time, set the statute of limitations on implied private rights of action. Before the Court's ruling there was no unified statute of limitations in these kinds of cases. The statute of limitations varied from State to State. Whether you could bring suit depended entirely on what the statute of limitations was in any particular State.

In the 1991 *Lampf* case, the Court finally set a standard statute of limitations. There has been no evidence shown that extending this Supreme Court set statute to 5 years will benefit wronged investors. In fact, extending the statute of limitations will do nothing more than hold a sword over businesses, and create more of an unreasonably long opportunity for litigation.

That is why we will be opposing this amendment to extend the statute of limitations. The bill holds to the statutes of limitations set by the *Lampf* case, 1 year from the time of discovery. It seems to me that once you discover fraud, you should be able to bring a lawsuit within 1 year. To extend that to 2 years is unreasonable. If you have discovered a fraud, then bring the suit. Why would you need 2 years?

Also, the SEC has the authority to bring suit at any time on behalf of investors who have been wronged; the SEC has no statute of limitations. Extending the statute of limitations to 2 years will make our judicial system a paradise for these lawyers.

We have not diminished the right to bring a suit after fraud has been discovered, you can bring a suit 5, 10 years later through the SEC. However, the lawyers do not make money in huge settlements when the SEC brings suit, so they oppose the provision. I would rather have the SEC bring suit so that the defrauded investors actually recover their losses when a settlement is made. In fact, the function of the Securities and Exchange Commission is to protect the investor.

The SEC recently forced Prudential to set up an open-ended disbursement fund to compensate investors who were defrauded in the 1980's. I am confident that these investors are actually getting that money. The SEC had the authority to require this firm to set aside \$330 million for investors, and the SEC did not skim off \$30 million of that settlement for lawyers. Is that not the way the system should operate?

We debate whether 1 year is enough time after the fraud is discovered to bring suit. I ask, why would 1 year not be enough time? Investors are protected by the SEC's authority after that 1 year has expired. By limiting the statute of limitations to 1 year, however, we are able to stop lawyers from shopping around for years, looking for any possible violation to allege. If there is fraud which comes to light

after the statute of limitations has expired the SEC can always bring suit. Understand that in most cases there is no fraud, the lawyers search until they find something with which to allege fraud so that they can force the defendants to settle. We need to stop this wasteful practice.

We are not protecting people who commit fraudulent actions. We are saying that you cannot allege fraud year after year, just to make the charge. Again, I stress if there is a real fraud, doggone it, we know that the SEC will bring suit. This is not a new practice for the SEC, they have done it before and they will do it again. The SEC, however, will not waste time or money on a multiplicity of specious, spurious claims. So when the proponents of the extension of the statute of limitations say that investors brought 300 suits and the SEC only brought 1, I would note that those 300 suits were mostly frivolous. I would rather have one meritorious suit that recovers money for investors and is not used as a vehicle to extort money, than hundreds of meritless suits.

So when we talk about extending the statute of limitations understand that we are not doing anything more, in most cases, than giving people an opportunity to fish around until they catch a way to allege fraud and file a lawsuit. Once fraud has been discovered, I think it is preposterous to say that more than 1 year is needed to bring suit. Remember, most of these cases allege fraud although no fraud has been committed. They allege fraud in order to force defendants to settle because they cannot defend themselves without putting themselves at risk of even greater losses.

So I very strenuously oppose the extension of the statute of limitations, which I think would do a great disservice to the litigation system. The Supreme Court, the highest court in the land, established this statute of limitations and stated the need for uniformity in that statute.

I would like to make two other observations. I read in a New York Times editorial that we are making it impossible to bring suit. This is not the case, we are only limiting the ability of lawyers to use these cases as a collection vehicle to enrich themselves just by alleging fraud. I will repeat that the SEC can bring a case where it believes fraud has been committed, without any statute of limitations, and the private right of action is still available in the State court system. If a State court, or State legislature extends the statute of limitations to 5 years from the commission of fraud and 2 years from the time of discovery, investors will be able to file suit. Of course, even in the terrible Keating case suit was brought within a year of discovery and within 2 years of fraud. So when people say we are against extending the statute of limitations, I answer, yes, we are going to bar specious claims, ridiculous